



Agenda Date:3/29/06
Agenda Item: VA

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

WATER

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IN THE MATTER OF THE PETITION OF
AQUA NEW JERSEY, INC. FOR
APPROVAL OF A MUNICIPAL CONSENT
TO PROVIDE WATER SERVICE TO
PORTIONS OF THE BOROUGH OF ALPHA

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ORDER

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DOCKET NO. WE05060543

(SERVICE LIST ATTACHED)

BY THE BOARD:

On June 17, 2005, Aqua New Jersey, Inc. ("Aqua NJ" or "Company") filed a petition pursuant to N.J.S.A. 48:2-12 and N.J.A.C. 14:1-5.5 with the Board of Public Utilities ("Board") for approval of a municipal consent granted by the Borough of Alpha ("Borough" or "Alpha"), Warren County, New Jersey authorizing a franchise to Aqua NJ to construct, maintain, and operate water works for the purpose of supplying, distributing and selling water to a proposed development within Alpha known as Grande at Park Ridge Estates, and to allow for emergency water connection services between the Borough's municipal system (the "Alpha system") and a Company owned system located adjacent to the Borough in the Township of Phillipsburg, New Jersey ("Phillipsburg").

Aqua NJ, formerly Consumers New Jersey Water Company, is a wholly owned subsidiary of Aqua America, Inc., formerly the Philadelphia Suburban Water Corporation. Aqua America, Inc. is the holding company for water and wastewater utilities that, together with the Company, serve approximately 2.5 million residents in 13 states. Aqua NJ provides water and/or wastewater service through its several divisions located throughout the State. Service is provided to approximately 44,000 customers in 17 municipalities located in the counties of Warren, Hunterdon, Burlington, Monmouth, Camden, and Gloucester.

On January 12, 2006, a public hearing on the petition by Aqua NJ was held at the Board's office in Newark, New Jersey, before the Board's designated hearing officer, Joseph F. Quirolo, Esq.

On February 27, 2006, comments were received from the Division of the Ratepayer Advocate ("RPA"). The RPA is not opposed to Board approval of the petition as long as certain conditions were included in the Board Order.

Discussion

Grande at Park Ridge Estates

Grande at Park Ridge Estates (the "Development") is a residential housing development that will eventually comprise 92 single-family homes and 16 condominium apartments, some of which will be built in accordance with the Borough's plans to provide affordable housing. It is located in an area designated for growth as defined by N.J.A.C. 14:3-8.2. The municipal consent authorizes Aqua NJ to provide water service to the Development. Construction of the Development will begin upon the Board approval of the Company's petition.

The developer of the property, D.R. Horton, Inc. (the "Developer"), will install the development's water system (the "Park Ridge System") pursuant to the terms of a main extension agreement executed between the Developer and Aqua NJ in September 2005.

The Company proposes that the Park Ridge System be included in and served by the Company's Northern Division, which currently serves 10,825 water customers in its service territory. The Northern Division will be responsible for emergencies that may arise in the proposed franchise area, where customers may call either the office of the Northern Division weekdays from 8:00 a.m. to 4:30 p.m., or a 24-hour emergency phone line on weekends or after normal business hours.

The Company plans to interconnect the Park Ridge System with the adjacent Phillipsburg water system, which is located less than a mile from the Development, and serves approximately 8,900 metered customers in Phillipsburg, Lopatcong, Greenwich, Pohatcong, and Harmony (the "Phillipsburg System"). Northern Division employees make daily visits to the Company's water facilities located throughout Warren County, where the Phillipsburg System is situated.

The Alpha Borough municipal system has inadequate capacity under existing New Jersey Department of Environmental Protection ("NJDEP") permits to serve the Development. With a firm capacity of 5.74 million gallons ("MG") per day and a peak daily demand of 4.33 MG per day, Aqua NJ asserts that the Phillipsburg System has sufficient capacity under its existing NJDEP permits to serve the Development, by using the 1.41 MG per day of excess capacity for the proposed franchise. At full build out, the Company estimates that water usage at the Development will average approximately 7.776 MG per year, while peak water usage will average approximately 0.648 MG per month.

The Phillipsburg System's production facilities consist of four public supply wells, three of which are located along River Road and are operated and treated by the Exley Facility at 1099 River Road, Lopatcong, New Jersey. The fourth well is located on Liberty Road in Harmony, New Jersey, and is used strictly as an irrigation-only well for a nearby golf course.

Except for an OSHA assessed fine in 2005 for a trench violation, the Company has not been assessed any fines or penalties by the NJDEP or other local, state or federal government agency in the past five years.

The Company does not anticipate the need to make any significant capital improvements to the Phillipsburg System in order to serve the proposed franchise area. Capital additions required for the Park Ridge System and its interconnection with the Phillipsburg System (the "Extended System") will include the installation of a main line extension, hydrants, services, and meters, all of which will belong to the Company.

Most of the Extended System will be constructed in the public rights-of-way. The Developer has agreed to convey and confirm to Aqua NJ an easement and right-of-way over the streets served

pursuant to the Agreement, in order that the Company may install, maintain, repair, extend, replace, and remove mains and appurtenances laid pursuant to the Agreement, until such time as these are accepted by the appropriate governing body. The Developer has also agreed to convey and confirm to Aqua NJ, prior to the installation of any mains to be located outside the existing or proposed public rights-of-way, a perpetual and recordable deed or deeds of easement for the right to install, operate and maintain water facilities.

All materials to be supplied, and/or installation to be performed by the Developer for pipes, fittings, hydrants and other appurtenances must meet Company specifications, and are likewise subject to Company inspection and approval, prior to installation.

Pursuant to the Agreement, the Company is responsible for the installation of the Development's services up to the curb stop. Once Aqua NJ has received a complete set of as-built drawings from the Developer, and the Extended System has been successfully pressure tested, bacteria tested, and flushed, the Company will construct such services. The cost of the service lines will be the responsibility of the Developer, who will advance amounts for such costs to the Company. Service relocations after initial installation will be at the Developer's cost.

Aqua NJ is responsible for reliable fire protection at the Development, and will supply the hydrants for the Developer to install. Ten (10) are proposed. Aqua NJ will also supply and install all water meters in locations it deems acceptable. The Company will determine the correct size of meters to be installed in metered service accounts.

Any fees for professional and other services required to be funded to the Borough in conjunction with the construction of the Extended System will be the responsibility of the Developer. The Developer will pay these fees to the Company, who will establish an escrow account with the Borough for such funding.

The company intends to collect deposits from the Developer for the extension of water utility service to the Development, and will do so in compliance with N.J.A.C. 14:3-8.1. Under the terms of the Agreement, the Developer will advance to Aqua NJ \$82,278 representing the Company's estimated administrative, engineering, inspection, fire hydrant, meter and service installation costs associated with the Extended System (the "Advance"). The Advance will be subject to revision should the actual labor, fees, and meter costs differ from the estimates. Aqua NJ will record the transaction as a Customer Advance for Construction subject to the terms of the Agreement.

The Company proposes to charge rates for water service to customers in the Development using its current water tariff on file with the Board.

Based on a review of the record to this proceeding, it is clear that Aqua New Jersey possesses the financial stability and water utility expertise that will allow it to efficiently and economically provide safe, adequate, and proper water service to customers in the Development, moreover, as a subsidiary of Aqua America, Inc., the Company has access to additional managerial, technical, and financial resources that demonstrate the capacity of the Company to own and maintain the Park Ridge System. Regarding the emergency interconnect between the Park Ridge System and the Phillipsburg System, the proposed construction of this emergency interconnect provides a valuable water supply source when most needed and offers the additional benefit of providing an emergency water source to the Borough. Accordingly, the Board **HEREBY APPROVES** the municipal consent granted to Aqua New Jersey, Inc. for the provision of water service by the Borough of Alpha as sought in Aqua New Jersey's petition.

The approvals granted, hereinabove, shall be subject to the following provisions:

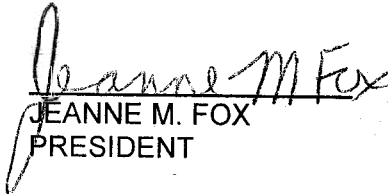
This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Aqua New Jersey Inc.

2. This Order shall not effect now in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting Aqua New Jersey Inc.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.

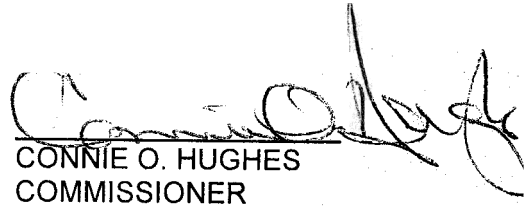
4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

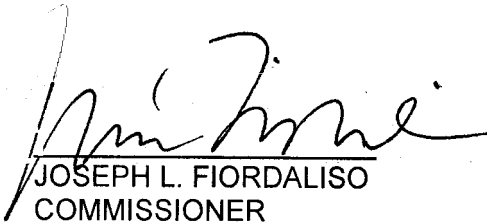
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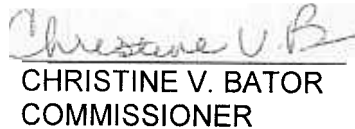
BOARD OF PUBLIC UTILITIES
BY:


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FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

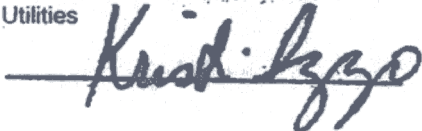

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



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